

MARK D. WALDRON
Chapter 11 Trustee
6711 Regents Blvd. W., Suite B
Tacoma, WA 98466
Telephone: (253) 565-5800

The Honorable Frederick P. Corbit
Chapter 11

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON

In Re:)	
)	Case No. 18-03197-FPC11
GIGA WATT INC.)	
)	CHAPTER 11 TRUSTEE'S MONTHLY
Debtor.)	FINANCIAL REPORT FOR AUGUST 2019
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COMES NOW Mark D. Waldron, the Court-appointed and acting Chapter 11 Trustee in the above proceeding, and files this Monthly Financial Report for the month of August 2019. Attached to this report are the Ledger Report (Exhibit 1), Operating Statement (Exhibit 2), and bank statement for August 2019 (Exhibit 3), incorporated herein by reference.

Significant developments during reporting period:

1. The Estate continues to operate the Moses Lake facility. Mining revenues were \$355,621.17, with an additional \$45,436.50 of revenue from subtenant Eco Diversified Holdings for rent and proportional obligation for the utilities. Additionally, the Estate collected \$17,500.00 from an entity known as Allrise. Allrise had entered into a subtenant agreement, pre-petition, with the Debtor. However, there are a number of



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1 disputed issues related to Allrise, including that Allrise is in default in its obligations to the
2 Debtor for both rent and its portion of electricity. The \$17,500.00 was paid as a good faith
3 gesture by Allrise while the Estate and Allrise work through the various issues.

4 Attached hereto and incorporated herein by reference as Exhibit 4 is a detailed
5 narrative report from Court-appointed consultant, Douglas Pratt, regarding Giga Watt's
6 mining operations for August 2019.

7 2. The Estate is continuing payments on an accelerated repayment schedule
8 to the landlord at the Moses Lake facility. Rent and utility payments are current. The
9 Estate had fully repaid the super priority loan from the landlord and is continuing to repay
10 the past due amounts which existed when the Trustee took over operations.

11 3. After negotiating with several potential lenders, the Trustee secured a DIP
12 loan in the amount of \$200,000.00 to commence operations at the TNT facility. By Order
13 entered on August 29, 2019 (Docket No. 365), the Court authorized the re-opening of the
14 TNT facility and authorized the DIP loan in the partial amount of \$158,512.00, on an interim
15 basis pending a final hearing on September 24, 2019. The DIP loan has been funded in
16 the partial amount of \$158,512.00 (including a \$4,000.00 origination fee to Lender), power
17 and internet service have been restored, and the Debtor is continuing preparations for
18 restarting operations at the TNT facility. The Estate has continued to pay current rent to
19 the landlord at TNT. The projections for operating at the TNT facility indicate that it should
20 generate net profit to the estate.


21 4. The Court-appointed CPA continues to prepare Debtor's required monthly
22 tax reports, specifically the Department of Revenue reporting, and the Estate continues to
23 pay the corresponding B&O taxes due. At month end, the Debtor was not delinquent on
24 any post-petition tax obligations.



1 For purposes of calculating the Debtor's obligations under 28 USC 1930(a)(6) to pay
2 a quarterly fee to the United States Trustee, **TOTAL DISBURSEMENTS** for the month of
3 August 2019 were **\$372,989.99**.

4 I certify under penalty of perjury that the information contained in this Monthly
5 Financial Report is complete, true, and accurate to the best of my knowledge, information
6 and belief.

7 **DATED** this 16th day of September, 2019.

8 
9 _____
10 MARK D. WALDRON, WSBA# 9578
11 Chapter 11 Trustee for the Estate of
12 Giga Watt Inc.
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Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Taxpayer ID #: 81-4797010
Period: 08/01/19 - 08/31/19

Trans. Date	{Ref#} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
08/01/19		Eco Diversified Holdings	August 2019 rent for Pod 8 of Parcel E pods, Moses Lake facility	4002-00	9,000.00		40,958.50
08/01/19		Moses Lake Facility	Mining operations	4001-000	80,296.13		121,254.63
08/01/19	210	Insta Stor Inc.	Invoice #2587 (storage container rental through August 2019)	6004-000		134.88	121,119.75
08/05/19		MLDC I, LLC	100% of Moses Lake revenue (through 8/1/19)	6003-000		80,296.13	40,823.62
08/08/19		Moses Lake facility	Mining operations	4001-000	78,684.25		119,507.87
08/13/19	211	Lauren Mieh	Invoice dated 8-11-19 (through 8-10-19)	6007-013		6,393.75	113,114.12
08/13/19	212	Lauren Mieh	Reimbursement of costs (invoice dated 8-11-19)	6007-014		446.29	112,667.83
08/13/19	213	Austin Harrison	Invoice dated 8-11-19 (through 8-9-19)	6007-013		2,400.00	110,267.83
08/13/19	214	Porfirio Jaim	Invoice dated 8-11-19 (through 8-11-19)	6007-013		1,600.25	108,667.58
08/13/19	215	Skyler Simpson	Invoice dated 8-11-19 (through 8-10-19)	6007-013		2,075.50	106,592.08
08/13/19	216	Skyler Simpson	Reimbursement for costs (invoice dated 8-11-19)	6007-014		84.00	106,508.08
08/13/19	217	Allen Oh	Invoices #21 and #22 (through 8-9-19)	6007-013		6,000.00	100,508.08
08/13/19	218	Michell, Reed & Schmitt Ins. Co.	Invoice #382876, Acct #17961 (Giga Watt, Inc.)	6004-000		102.10	100,405.98
08/13/19	219	Waste Management of Wenatchee	Customer ID #19-19019-33003, Invoice #1815342-2674-9	6010-000		124.28	100,281.70
08/13/19		MLDC I, LLC	77% of Moses Lake revenue (through 8-8-19)	6003-000		60,586.87	39,694.83
08/15/19		Moses Lake facility	Mining operations	4001-000	67,214.15		106,908.98
08/19/19		MLDC I, LLC	77% of Moses Lake revenue (through 8-15-19)	6003-000		51,754.90	55,154.08
08/20/19	220	Insta Stor Inc.	Invoice #2701 (relocation of container)	6004-000		200.00	54,954.08
08/20/19	221	Cascade Equipment Sales, LLC	Invoice #2171 (pick up and deliver forklift to Moses Lake)	6004-000		562.50	54,391.58
Subtotals :					\$235,194.53	\$212,761.45	

{} Asset reference(s)

Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Taxpayer ID #: 81-4797010
Period: 08/01/19 - 08/31/19

Trans. Date	{Ref#} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
08/20/19	222	Stretto	Invoice #3053	6007-000		3,400.77	50,990.81
08/21/19	223	Washington State Department of Revenue	604-067-749 Giga Watt, Inc. B&O taxes due for July 2019	6006-002		5,674.75	45,316.06
08/22/19		Moses Lake Facility	Mining operations	4001-000	64,713.32		110,029.38
08/23/19		Eco Diversified Holdings	Utilities for July 2019, Pod 8 of Parcel E pods, Moses Lake facility	4099-000	27,436.50		137,465.88
08/23/19	224	TNT Business Complexes, LLC	Lease payment for September 2019, TNT facility	6003-000		11,600.00	125,865.88
08/23/19		MLDC I, LLC	77% of Moses Lake revenue (through 8/22/19)	6003-000		49,829.26	76,036.62
08/26/19	225	Lauren Mieh	Invoice dated 8-26-19 (through 8-23-19)	6007-013		6,075.00	69,961.62
08/26/19	226	Austin Harrison	Invoice dated 8-26-19 (through 8-24-19)	6007-013		2,400.00	67,561.62
08/26/19	227	Skyler Simpson	Invoice dated 8-26-19 (through 8-23-19)	6007-013		2,000.00	65,561.62
08/26/19	228	Porfirio Jaimes	Invoice dated 8-26-19 (through 8-25-19)	6007-013		1,535.50	64,026.12
08/26/19	229	Allen Oh	Invoices #23 and #24 (through 8-23-19)	6007-013		6,000.00	58,026.12
08/26/19	230	Allen Oh	Reimbursement for cost (Invoice #24)	6007-014		22.01	58,004.11
08/27/19		Allrise Capital	Partial payment of past due rent and utilities for January 2019 (Moses Lake)	4099-000	17,500.00		75,504.11
08/28/19	231	Lauren Mieh	Invoice dated 9-9-19 (through 9-8-19)	6007-013		6,000.00	69,504.11
08/28/19	232	Allen Oh	Invoices #25 and #26 (through 9-8-19)	6007-013		6,000.00	63,504.11
08/28/19	233	Austin Harrison	Invoice dated 9-9-19 (through 9-8-19)	6007-013		2,400.00	61,104.11
08/28/19	234	Skyler Simpson	Invoice dated 9-9-19 (through 9-8-19)	6007-013		2,000.00	59,104.11
08/28/19	235	Porfirio Jaimes	Invoice dated 9-9-19 (through 9-8-19)	6007-013		1,500.00	57,604.11
08/29/19		Eco Diversified Holdings	September 2019 rent for Pod 8 of Parcel E pods, Moses Lake	4002-00	9,000.00		66,604.11
08/29/19		Moses Lake facility	Mining operations	4001-000	64,713.32		131,317.43
08/29/19	236	LocalTel	Account #61297, Giga Watt, Inc.	6010-000		3,827.11	127,490.32
Subtotals :					\$183,363.14	\$110,264.40	

{ Asset reference(s)

Ledger Report

Case Number: 18-03197-FPC11 FPC
Case Name: GIGA WATT INC.

Trustee: Mr. Mark D. Waldron (670070)
Bank Name: Metropolitan Commercial Bank
Account: *****25 - Checking Account
Blanket Bond: \$0.00 (per case limit)
Separate Bond: N/A

Taxpayer ID #: 81-4797010
Period: 08/01/19 - 08/31/19

Trans. Date	{Ref #} / Check #	Paid To / Received From	Description of Transaction	Ledger Code	Receipts \$	Disbursements \$	Checking Account Balance
08/30/19		Randy Michelson	Per Credit Agreement and Order entered 8-29-19 (Docket No. 365)	4099-000	154,512.00		282,002.32
08/30/19	237	Insta Stor Inc.	Invoice #2747 (storage container rental through September 2019)	6004-000		134.88	281,867.44
08/30/19		MLDC I, LLC	77% of Moses Lake revenue (through 8-29-19)	6003-000		49,829.26	232,038.18
ACCOUNT TOTALS					2,174,248.61	1,942,210.43	\$232,038.18

TOTAL - ACCOUNT *****25

Balance Forward	31,958.50				
4 Deposits	62,936.50	28	Checks	80,693.57	
0 Interest Postings	0.00	5	Adjustments Out	292,296.42	
Subtotal	\$94,895.00	0	Transfers Out	0.00	
6 Adjustments In	510,133.17		Total	\$372,989.99	
0 Transfers In	0.00				
Total	\$605,028.17				

Operating Statement

Period: 08/01/19 - 08/31/19

EXHIBIT 2

<u>Income</u>	
4001-000 Revenue from Operating Business	\$355,621.17
4002-00 Rents	\$18,000.00
4099-000 Other Receipts	\$199,448.50
Total Income	\$573,069.67
<u>Expenses</u>	
6003-000 Admin. Rent	\$303,896.42
6004-000 Costs to Secure/Maintain Property	\$1,134.36
6006-002 Taxes - State	\$5,674.75
6007-000 Professional Fees & Expenses	\$58,333.07
6010-000 Other Expenses	\$3,951.39
Total Expenses	\$372,989.99
Net Income	\$200,079.68

Period Covered:
August 01, 2019 - August 30, 2019

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Law Offices of
Mark D. Waldron, PLLC

Case Number

Case Name

Trustee Number

Trustee Name

18-03197-FPC11

GIGA WATT INC
DEBTOR

670070

Mr. Mark D. Waldron
TRUSTEE

Questions:
800.634.7734

banking.services@stretto.com
www.stretto.com

Consolidated Balance Summary

Account	Number	Ending Balance Prior Period	Ending Balance This Period
Checking Account			
TRUSTEE CHECKING	9625	\$90,487.66	\$333,924.44
Total		\$90,487.66	\$333,924.44

Notable Information For You...

Stretto Banking Services and Metropolitan Bank would like to provide you a few simple tips to make sure your deposits are processed as quickly as possible: 1) Forego staples. 2) Ensure the MICR line is printed on the bottom of the deposit slip. 3) Pair deposit slip with the check(s) to be deposited with the deposit slip on top.

Period Covered:
August 01, 2019 - August 30, 2019
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Mr. Mark D. Waldron
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Tacoma WA 98466

Case Number 18-03197-FPC11
Case Name GIGA WATT INC
DEBTOR
Trustee Number 670070
Trustee Name Mr. Mark D. Waldron
TRUSTEE

Questions:
800.634.7734
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TRUSTEE CHECKING

Account Number: 10019625

Enclosures	23	Beginning Balance	\$90,487.66
		+Total Additions	\$573,069.67
		-Total Subtractions	\$329,632.89
		Ending Balance	\$333,924.44

* Indicates a Skip in Check Number(s)
"E" Indicate an Electronic Check

Checks

Check #	Date	Amount
200	08-01	\$18,083.40
201	08-13	\$11,600.00
202	08-13	\$2,000.00
203	08-05	\$11,793.75
204	08-05	\$43.93
205	08-07	\$9,000.00
206	08-07	\$69.33
207	08-08	\$2,400.00
208	08-05	\$2,012.50
209	08-05	\$1,526.25
210	08-12	\$134.88
211	08-19	\$6,393.75
212	08-19	\$446.29
213	08-22	\$2,400.00
214	08-19	\$1,600.25
215	08-19	\$2,075.50
216	08-19	\$84.00
217	08-20	\$6,000.00
218	08-22	\$102.10
219	08-20	\$124.28
220	08-30	\$200.00
222*	08-30	\$3,400.77
223	08-26	\$5,674.75

Debits

Date	Description	Subtractions
08-05	WIRE TO MLDC 1 LLC	\$80,296.13
08-14	WIRE TO MLDC 1 LLC	\$60,586.87
08-19	WIRE TO MLDC 1 LLC	\$51,754.90
08-23	WIRE TO MLDC 1 LLC	\$49,829.26

Period Covered:
August 01, 2019 - August 30, 2019
Page 3 of 10

Credits

Date	Description	Additions
08-01	WIRE FROM COINME INC	\$80,296.13
08-02	REMOTE DEPOSIT REF#0100009	\$9,000.00
08-08	WIRE FROM COINME INC	\$78,684.25
08-15	WIRE FROM COINME INC	\$67,214.15
08-22	WIRE FROM COINME INC	\$64,713.32
08-26	REMOTE DEPOSIT REF#0100010	\$27,436.50
08-28	REMOTE DEPOSIT REF#0100011	\$17,500.00
08-29	WIRE FROM COINME INC	\$64,713.32
08-30	REMOTE DEPOSIT REF#0100012	\$9,000.00
08-30	WIRE FROM RANDY MICHELSON	\$154,512.00

Daily Balances

Date	Amount	Date	Amount	Date	Amount
08-01	\$152,700.39	08-02	\$161,700.39	08-05	\$66,027.83
08-07	\$56,958.50	08-08	\$133,242.75	08-12	\$133,107.87
08-13	\$119,507.87	08-14	\$58,921.00	08-15	\$126,135.15
08-19	\$63,780.46	08-20	\$57,656.18	08-22	\$119,867.40
08-23	\$70,038.14	08-26	\$91,799.89	08-28	\$109,299.89
08-29	\$174,013.21	08-30	\$333,924.44		

For the calendar month of August 2019, the Moses Lake Data Center (MLDC) generated gross revenue of \$309,264 which represented a 25% drop in revenue from July 2019 of \$412,000. Revenue from Bitcoin dropped 11%, moving from \$226,299 in July to \$201,527. ETH revenue dropped by 27%, moving from \$48,115 in July to \$35,015 in August. LTC mining revenue dropped 47%, moving from \$137,585 to \$72,722.

Bitcoin Mining: Revenues declined almost solely due to increasing global difficulty. The average price per BTC coin traded relatively the same for both months (\$10,580 in August vs. \$10,630 in July). We can expect to see declining revenues from BTC mining unless we get upward price movement in the market.



Bitcoin Difficulty Chart and Graph



Litecoin Mining: The effects of the Litecoin reward halving rewards were felt in August, dropping 47%. This was not as bad a result as expected because the price of LTC also dropped by ~20%, so Gigawatt actually increased the number of block rewards compared to July. The reduction of LTC mining machines deployed globally (approximately 364,000 L3 machine equivalents) resulted in a difficulty reduction of 30% by the end of August.



Litecoin Difficulty Chart and Graph



If LTC pricing stays stable and difficulty drops worldwide, we can expect to see month on month grow in revenue from LTC. The \$0.03/kwh power cost is a continue advantage for Gigawatt.

Ethereum Mining:

We need to dig deeper into ETH production numbers because the 30 day difficulty number dropped by about 6%. We mined 193.52 tokens in July vs 175.92 where we should would have expected to actually grow the number ETH token rewards. The average daily rewards in July were 6.25 and dropped to 5.67 in August in a month where we expected that number to grow.

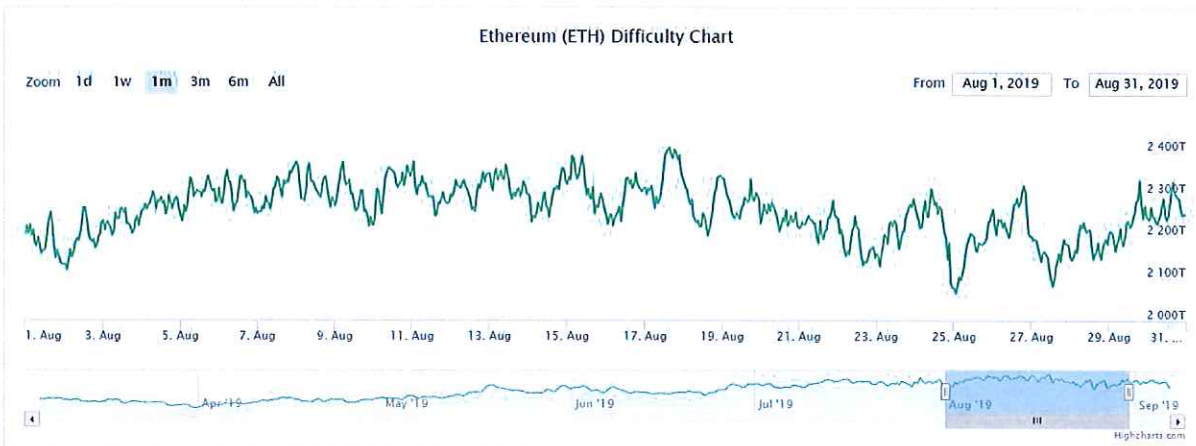
The average sales price of an ETH token in was \$198 in August vs. \$247 in July.

In summary, we have no reliable market indicators that prices for BTC, LTC or ETH will increase. Assuming the case that market prices are stable, we can assume that BTC mining rewards will continue to decrease due to increasing difficulty, LTC revenues will begin to recover due dropping difficulty and revenue should increase. ETH will be uncertain until we find the production issues.

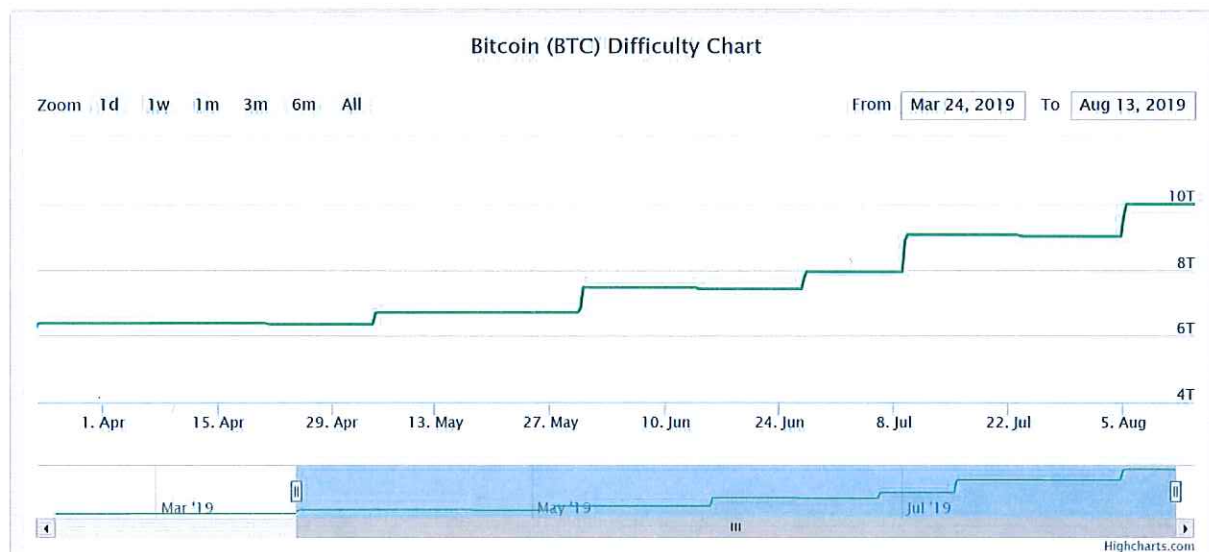


Ethereum Difficulty Chart and Graph

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Bitcoin: If prices remain stable, we will experience drops in monthly revenue as more and newer equipment comes online worldwide.



Power Efficiency & Cost Cutting: We have identified and tested a new software load for the Litecoin miners that reduces the power draw by over 10%, which will reduce power costs helping offset the reduced revenue. Additional testing is being done on new software for Bitcoin to reduce power costs as well but are not complete. Attention will need to be diverted to the Ethereum miners to find additional efficiencies as well to mitigate reducing revenue against new technologies and mining farms.

Competition: Expect new Ethereum and Bitcoin miners to continue to be purchased and deployed worldwide. We will need to closely observe the difficulty rate for Litecoin mining to determine what is happening in August with purchase of new Litecoin miners. Even with increasingly obsolete technology at the MLDC, the \$0.03/kwh in part neutralizes the advantage of newer and more efficient miners when they mine at higher \$/kwh costs.

Additionally, with reduced block rewards AND the lower prices, the sales of newer mining equipment are slowed because the return of investment (ROI) (or return of capital) becomes extended.

For Bitcoin over the last 90 days, the difficulty in receiving block rewards has increased nearly 50%. Litecoin difficulty only increased 14% (and is now dropping) and Ethereum increased by 13% over the same 90-day period.

In summary, assuming digital currency prices remain steady, expect a significant drop in revenue for August for Litecoin, a continuing slow erosion of revenue from Ethereum and a continuing slow reduction of revenue month on month for Bitcoin.